

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

FOR THE YEAR ENDED DECEMBER 31, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Grand County Special Service Water District
Moab, Utah 84532

We have audited the accompanying financial statements of the governmental type activities of Grand County Special Service Water District (a component unit of Grand County), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand County Special Service Water District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Grand County Special Service Water District, as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, as listed in the financial section of the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Governmental Auditing Standards, we have also issued our report dated May 12, 2006 on our consideration of Grand County Special Service Water District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand County Special Service Water District's basic financial statements. Supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Grand County Special Service Water District. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

SMUIN, RICH & MARSING

A handwritten signature in cursive script that reads "Laurie, Rich & Marsing".

Price, Utah

May 12, 2006

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Our discussion and analysis of the Grand County Special Service Water District's financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are a part of this report.

The District was originally created in 1980 to add bonding capacity to Grand County Water Conservancy District's Mill Creek Project. The District receives taxes and pays the principal and interest on its bonds. It also provides funds for the maintenance and operating costs of the Mill Creek Project through Grand Water & Sewer Service Agency (GW&SSA). On January 1, 1999, GW&SSA was established as an inter-local agency to operate three Districts, this District and two other districts: Grand County Water Conservancy District and Spanish Valley Water & Sewer Improvement District.

FINANCIAL HIGHLIGHTS

- ❖ The District's net assets increased \$72,323 as a result of this year's operations. This is an 6.26 percent increase in net assets as compared to the prior year.
- ❖ During the year, the District's revenues were \$169,727 and expenses were \$97,404.
- ❖ The District paid \$109,228 of bond principal and \$51,127 in debt interest.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 thru 12) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund Financial Statements start on page 13. These statements tell how these services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE

The District realizes revenue from three main sources: property tax, fees in lieu, and interest earnings. These funds are used to pay the principal and interest on outstanding debt and for operating and maintaining the Mill Creek Project through GW&SSA.

Our analysis of the District as a whole begins on page 11. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps determine the District's financial picture as a result of this year's activities.

These two statements report the District's *net assets* and changes in them. Net assets equal the difference between assets and liabilities. This is one way to measure the District's financial position. Increases or decreases in the District's net assets are one indicator of whether the financial position of the District is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the District's property tax base and the condition of the District's Mill Creek Project to assess the health of the District.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUND

All of the District's services are reported in one governmental fund, which focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District has one fund group, the General fund.

Most of the District's funding is provided through property taxes. The District Board determined several years ago that since most of the revenue is generated in property taxes, the proper fund classification for the District was governmental funds rather than proprietary funds according to accounting standards.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

THE DISTRICT AS A WHOLE

The net assets of the District increased by \$72,323. The following analysis focuses on the net assets (table 1) and changes in net assets (tables 2 & 3) of the District's governmental activities.

Net assets of the District are \$1,227,556. The Unrestricted Net Assets- the part of the net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$91,370.

The District's increase of \$72,323 in net assets does indicate, however, that the District is basically in better financial position than the previous year.

THE DISTRICT AS A WHOLE (Continued)

Table 1
Net Assets

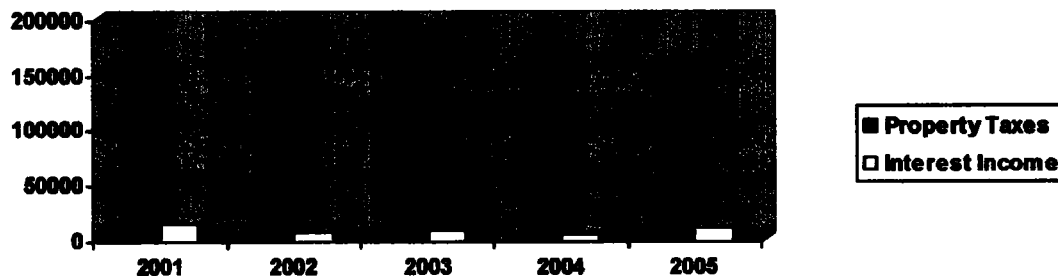
Assets:	2002	2003	2004	2005	2004-2005 Net Changes
Current assets	\$ 295,600	\$ 215,784	\$ 225,969	\$ 224,381	\$ (1,588)
Noncurrent assets	161,000	262,900	262,900	262,900	
Capital assets, net	<u>1,931,068</u>	<u>1,891,493</u>	<u>1,851,918</u>	<u>1,812,345</u>	<u>(39,573)</u>
Total assets	<u>\$ 2,387,668</u>	<u>\$ 2,370,177</u>	<u>\$ 2,340,787</u>	<u>\$ 2,299,626</u>	<u>\$ (41,161)</u>
Liabilities:					
Current liabilities	\$ 150,118	\$ 150,292	\$ 152,054	\$ 153,309	\$ 1,255
Noncurrent liabilities	<u>1,246,000</u>	<u>1,142,500</u>	<u>1,033,500</u>	<u>918,761</u>	<u>(114,739)</u>
Total liabilities	<u>\$ 1,396,118</u>	<u>\$ 1,292,792</u>	<u>\$ 1,185,554</u>	<u>\$ 1,072,070</u>	<u>\$ (113,484)</u>
Net assets:					
Investment in capital assets, net of debt	\$ 534,950	\$ 598,701	\$ 666,364	\$ 740,275	\$ 73,911
Restricted for:					
Debt service, repairs	315,499	313,135	301,501	395,911	94,410
Unrestricted	<u>141,101</u>	<u>165,549</u>	<u>187,368</u>	<u>91,370</u>	<u>(95,998)</u>
Total net assets	<u>\$ 991,550</u>	<u>\$ 1,077,385</u>	<u>\$ 1,155,233</u>	<u>\$ 1,227,556</u>	<u>\$ 72,323</u>

CHANGES IN REVENUES

The District receives revenue from three sources: Property taxes, fee in lieu, and interest earnings. Total revenues decreased \$6,018, or 3.42 percent over the prior year.

Table 2
Changes in Revenues

Revenues	2001	2002	2003	2004	2005	2004-2005 % Change
Property taxes	\$ 146,009	\$ 164,435	\$ 164,713	\$ 154,182	\$ 142,947	-6.29%
Fee in lieu	14,150	14,453	16,512	13,866	14,890	7.38%
Interest income	16,297	9,214	10,421	7,697	11,890	54.48%
Total Revenues	\$ 176,456	\$ 188,102	\$ 191,646	\$ 175,745	\$ 169,727	-3.42%



CHANGES IN EXPENSES AND NET ASSETS

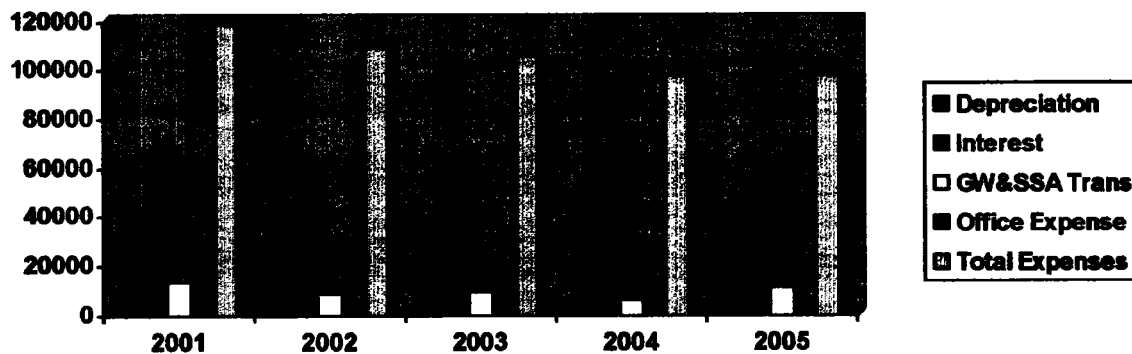
The District expenses include: Interest payments on the District's general obligation bonds, office expenses, depreciation and transfer of funds to GW&SSA for maintenance and operating costs of the Mill Creek Project. Total expenses decreased \$5,549 or 6.03 percent over the prior year.

Net assets increased \$72,323 or 7.10 percent over the prior year, see table 3 for a comparison.

STATEMENT OF EXPENSES & CHANGES IN NET ASSETS (Continued)

Table 3
Changes in Expenses and Net Assets

Expenses	2001	2002	2003	2004	2005	2004-2005 % Change
Office expense	\$ 16	\$ 24	\$ 24	\$ 6		-100.00%
Interest on bonds	66,008	61,475	56,916	52,412	46,871	-10.57%
Depreciation	39,577	39,576	39,575	39,575	39,573	-0.01%
Transfers to districts	13,094	8,226	9,296	5,904	10,960	85.64%
Total expenses	\$ 118,695	\$ 109,301	\$ 105,811	\$ 97,897	\$ 97,404	-0.50%
Net assets - beginning	\$ 854,988	\$ 912,749	\$ 991,550	\$ 1,077,385	\$ 1,155,233	
Net assets - ending	912,749	991,550	1,077,385	1,155,233	1,227,556	
Change in net	\$ 57,761	\$ 78,801	\$ 85,835	\$ 77,848	\$ 72,323	-7.10%



GOVERNMENTAL ACTIVITIES

Table 4 presents the District's net cost (total cost less revenue generated by activity). The net cost for all Governmental Activity was \$86,444. As shown in the Statement of Activities, the amount that taxpayers financed for these activities through property taxes was \$86,444. This points out that the District relies heavily upon property taxes to finance its operations.

Table 4
Governmental Activities

	<u>Total Cost of Services 2005</u>	<u>Program Revenue 2005</u>	<u>Net Cost of Services 2005</u>
Primary government			
Governmental activities:			
General government	\$ 39,573		\$ 39,573
Interest on long-term debt	<u>46,871</u>	<u></u>	<u>46,871</u>
	<u>\$ 86,444</u>	<u>\$...</u>	<u>\$ 86,444</u>

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board amended the District budget one time. This amendment was made near the end of the year to prevent budget overruns and to reflect actual revenue and expenses during the year.

Following this amendment the actual expenditures equaled the final budgeted amounts. Resources available for appropriation (revenues) were \$1,588 below the final budgeted amount. In the total governmental funds, the net result was that the District's budgeted resources available for appropriation (revenues) were \$1,588 below the actual revenue generated and expensed. This was primarily due to the District receiving \$2,078 less in property taxes than was budgeted. (See table 5).

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Table 5
Budget vs. Actual

<u>Revenues</u>	<u>2005 Actual</u>	<u>12/9/2004 2005 Budget</u>	<u>Amended 12/8/2005 2005 Budget</u>	<u>Actual vs Budget Variance</u>
Taxes	\$ 157,837	\$ 160,650	\$ 159,915	\$ (2,078)
Interest Income	11,890	11,500	11,400	490
 Total revenues	 \$ 169,727	 \$ 172,150	 \$ 171,315	 \$ (1,588)
 <u>Expenses</u>				
Office Expense		\$ 24		
Debt Service – Principal	\$ 109,228	109,300	\$ 109,228	
Debt Service – Interest	51,127	51,490	51,127	
Trans to GW&SSA	10,960	11,336	10,960	
 Total expenses	 \$ 171,315	 \$ 172,150	 \$ 171,315	 \$...

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the District had just over \$1.81 million in capital assets, net of depreciation, which includes irrigation and culinary water infrastructure (See table 6 below).

Table 6
Capital Assets at Year-end
(Net of Depreciation)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Improvements other than buildings	\$ 85,819	\$ 80,167	\$ 74,515	\$ 68,863	\$ 63,211
Infrastructure	1,884,826	1,850,901	1,816,978	1,783,055	1,749,134
 Total	 \$ 1,970,645	 \$ 1,931,068	 \$ 1,891,493	 \$ 1,851,918	 \$ 1,812,345

Capital Assets (Continued)

There were no additions in the year ended December 31, 2005 and the District's 2005 budget does not call for any spending for capital projects.

Debt

At the year-end, the District had \$1,033,272 in general obligation bonds outstanding, a decrease of \$109,228 or a 9.56 percent compared to the prior year.

**Table 7
Outstanding Debt at Year-End**

	2001	2002	2003	2004	2005	2004-2005 % Change
Bonds payable	\$ 1,441,000	\$ 1,345,500	\$ 1,246,000	\$ 1,142,500	\$ 1,033,272	-9.56%

ECONOMIC FACTORS AND NEXT YEARS BUDGET AND RATES

The District relies heavily on property taxes. It is anticipated that property taxes will increase slightly each year until 2012 when the District's largest general obligation bond will be paid off. Other than the preceding, the District knows of no other conditions that will significantly change its financial condition in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Sykes, Manager/Operator, Gary Wilson, Chairman, Jerry McNeely, Vice Chairman, Kyle Bailey, Trustee, Tom Stengel, Trustee, or Lance Christie, Trustee, at P.O. Box 1046, Moab, Utah 84532.

GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 8,306
Investments, at cost	83,064
Restricted cash and cash equivalents	262,900
Receivables:	
Taxes	133,011
Total current assets	<u>\$ 487,281</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	
Improvement, other than buildings	\$ 63,211
Infrastructure	1,749,134
Total noncurrent assets	<u>\$ 1,812,345</u>
Total assets	<u><u>\$ 2,299,626</u></u>
LIABILITIES	
Current liabilities:	
Bond interest payable	\$ 38,798
Current portion of long-term obligations	114,511
Total current liabilities	<u>\$ 153,309</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	\$ 918,761
Total liabilities	<u>\$ 1,072,070</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 740,275
Restricted for:	
Debt service, emergency repairs	395,911
Unrestricted	91,370
Total net assets	<u>\$ 1,227,556</u>
Total liabilities and net assets	<u><u>\$ 2,299,626</u></u>

"The accompanying notes are an integral part of this statement."

GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government				
Governmental activities:				
General government	\$ 39,573			\$ (39,573)
Interest on long-term debt	46,871			(46,871)
Total governmental activities	\$ 86,444	\$...	\$...	\$ (86,444)
General Revenues:				
Taxes:				
Property taxes, levied for debt service				\$ 157,837
Investment earnings				11,890
Transfer to other governmental organization				(10,960)
Total general revenues, special items, and transfers				\$ 158,767
Change in net assets				\$ 72,323
Net assets - beginning				1,155,233
Net assets - ending				\$ 1,227,556

"The accompanying notes are an integral part of this statement."

GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
BALANCE SHEET
DECEMBER 31, 2005

	GOVERNMENTAL FUND TYPE
	<u>GENERAL</u>
 <u>ASSETS</u>	
Cash in banks	\$ 8,306
Investments - unrestricted	83,064
Investments - restricted	262,900
Property taxes receivable	133,011
	<hr/>
Total assets	\$ 487,281
	<hr/>
 <u>LIABILITIES AND FUND EQUITY</u>	
LIABILITIES:	
	<hr/>
Total liabilities	\$...
	<hr/>
FUND EQUITY:	
Fund balance-	
Designated	\$ 395,911
Undesignated	91,370
	<hr/>
Total fund equity	\$ 487,281
	<hr/>
Total liabilities and fund equity	\$ 487,281
	<hr/>

"The accompanying notes are an integral part of this statement."

GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Total fund balances - governmental fund types:	\$	487,281
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.

	\$	63,211	
Improvements other than buildings			
Infrastructure		1,749,134	1,812,345

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

	\$	(38,798)	
Bond interest payable			
G.O. bonds payable - current portion		(114,511)	
G.O. bonds payable - one year		(918,761)	(1,072,070)

Net assets of government activities	\$	1,227,556
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"The accompanying notes are an integral part of this statement."

GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	GOVERNMENTAL FUND TYPE
	GENERAL
REVENUES:	
Taxes	\$ 157,837
Miscellaneous revenues	11,890
Total Revenues	<u>\$ 169,727</u>
EXPENDITURES:	
Debt service -	
Principal	\$ 109,228
Interest and fees	51,127
Total expenditures	<u>\$ 160,355</u>
Excess of revenues over (under) expenditures	<u>\$ 9,372</u>
OTHER FINANCING SOURCES (USES):	
Operating transfers to other governments	<u>\$ (10,960)</u>
Total other financing sources (uses)	<u>\$ (10,960)</u>
Excess of revenues and sources over (under) expenditures and uses	<u>\$ (1,588)</u>
FUND BALANCES, January 1	<u>488,869</u>
FUND BALANCES, December 31	<u>\$ 487,281</u>

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR FISCAL YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (1,588)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$39,573) exceeded capital outlays (\$0.00) in the current period.	(39,573)
The issuance of long-term debt (e.g., bonds) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	109,228
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	4,256
	<hr/>
Change in net assets of governmental activities	\$ 72,323
	<hr/>

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005**

	GENERAL			
	ORIGINAL BUDGET	FINAL APPROPRIATED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:				
Taxes	\$ 160,650	\$ 159,915	\$ 157,837	\$ (2,078)
Miscellaneous revenues	11,500	11,400	11,890	490
Total revenues	\$ 172,150	\$ 171,315	\$ 169,727	\$ (1,588)
EXPENDITURES:				
General government	\$ 24			
Debt service -				
Principal	109,300	\$ 109,228	\$ 109,228	
Interest and fees	51,490	51,127	51,127	
Total expenditures	\$ 160,814	\$ 160,355	\$ 160,355	\$...
Excess of revenues over (under) expenditures	\$ 11,336	\$ 10,960	\$ 9,372	\$ (1,588)
OTHER FINANCING SOURCES (USES):				
Operating transfers to other governments	\$ (11,336)	\$ (10,960)	\$ (10,960)	\$...
Total other financing sources (uses)	\$ (11,336)	\$ (10,960)	\$ (10,960)	\$...
Excess of revenues and sources over (under) expenditures and uses			\$ (1,588)	\$ (1,588)
FUND BALANCE, January 1			488,869	488,869
FUND BALANCE, December 31	\$...	\$...	\$ 487,281	\$ 487,281

"The accompanying notes are an integral part of this statement."

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

The financial statements of Grand County Special Service Water District has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, (as amended by GASB Statement No. 37) Basic Financial Statements- and Management's Discussion and Analysis-for State and Local Governments. Certain significant changes in the Statement include the following:

- 1) The financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the District's overall financial position and results of operations.

Financial statements prepared using full-accrual accounting for all the District's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

A. Reporting Entity

Grand County Special Service Water District is a political subdivision of the State of Utah. The District includes areas located in Emery County, Grand County, and San Juan County. The District is a legally separate entity that possesses the powers to set its own budget, incur debt, to sue and be sued, and to own and lease property. An Administrative Control Board of five members, who are appointed by three separate local governmental entities, governs the District. Although the Counties exercise no significant controlling powers over the District, the District is considered a component unit of Grand County. The Board's authority is derived from the County Council, who is ultimately responsible for the District.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

A. Reporting Entity (Continued)

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the District's financial statements.

B. Government-Wide Financial Statements

Generally accepted accounting principals (GAAP) require that state and local governments provide a government-wide statement of net assets and a government-wide statement of activities. These government-wide financial statements are required to be presented using the economic resources measurement focus and the accrual basis of accounting, the same measurement focus and basis of accounting employed by private-sector business enterprises and not-for-profit organizations.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The statement of net assets is the basic government-wide statement of position that presents all of the District's permanent accounts (assets, liabilities, and net assets).

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds: The general fund is the District's only fund. It accounts for all financial resources of the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources and then unrestricted resources, as they are needed.

D. Budgetary Data

The District follows the budgetary practices and procedures outlined in the "State of Utah Uniform Accounting Manual for Special Districts," which is in accordance with generally accepted accounting principles.

Budgets are presented on the modified accrual basis of accounting for all governmental funds. The following procedures are used in establishing the budgetary data reflected in the financial statements.

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is, estimated revenues and expenses must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Directors.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
6. Public hearings are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Directors.
7. The Board of Directors considers the comments made by the public and makes final adjustments to the budget.
8. By December 15, the Board of Directors adopts the budget by resolution. A copy of the budget is certified by the County Auditor and is filed with the State Auditor within thirty days of adoption. A certified copy of the budget is available for public inspection.
9. The budget may be amended to reflect changes in circumstances, which occur during the year.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES (Continued)**

E. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurers' Investment Fund (PTIF).

F. Capital Assets

Capital assets, which include improvements, other than buildings and infrastructure assets (e.g., tunnels, drainage systems, water and sewer systems, and dams), are reported in the applicable governmental columns in the government-wide financial statements. The District defines Capital Assets as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Improvements, other than buildings and infrastructure assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Improvements other than buildings	30 – 40
Infrastructure assets	40 – 100

G. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets.

H. Fund Equity

In the fund financial statements, governmental funds report designation of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. DEPOSITS AND INVESTMENTS

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2005, the District's bank balance of cash on deposit was \$8,306 of this amount \$8,306 was insured.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, and Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

2. DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2005, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 345,964	\$ 345,964			
Total Investments	<u>\$ 345,964</u>	<u>\$ 345,964</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages this risk in part by investing in the Utah Public Treasurers Investment Fund. The District also manages its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptance, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At December 31, 2005, the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			Unrated
		AAA	AA	A	
State of Utah Public Treasurer's Investment Fund	\$ 345,964				\$ 345,964
Total	<u>\$ 345,964</u>	<u>\$...</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 345,964</u>

2. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District informal policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. No more than 5% of all funds may be invested in securities of a corporation that has been in continuous operation for less than three years. No more than 5% of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, the District had \$345,964 invested in the Public Treasurer's Investment Fund and was held by them.

3. RESTRICTED CASH/NET ASSETS

In connection with bond agreements, the District has agreed to set aside money into sinking fund accounts. These funds are to assure that adequate money is available to service debt payments, project and emergency repairs, as they come due. The amount set aside in the sinking fund is equal to amount of the principal and interest on the payments for the current year. In the current year, the District has set aside \$262,900 in the bond sinking fund accounts.

4. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Grand County, Emery County and the San Juan County Treasurers, as agents of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

As of December 31, 2005, property taxes receivable consist of 1) delinquent taxes assessed but uncollected for calendar year 2004 and earlier and 2) taxes assessed as of January 1, 2005, but are not due and payable until November 30, 2005. It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, during which time, the county treasurer may force the sale of property to collect the delinquent portion. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

5. **CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assests being depreciated:				
Improvements other than buildings	\$ 201,687			\$ 201,687
Infrastructure	<u>2,574,625</u>			<u>2,574,625</u>
 Total capital assets being depreciated:	<u>\$ 2,776,312</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 2,776,312</u>
 Less accumulated depreciation for:				
Improvements other than buildings	\$ 132,824	\$ 5,652		\$ 138,476
Infrastructure	<u>791,570</u>	<u>33,921</u>		<u>825,491</u>
 Total accumulated depreciation:	<u>\$ 924,394</u>	<u>\$ 39,573</u>	<u>\$...</u>	<u>\$ 963,967</u>
 Governmental activities capital assets, net	<u>\$ 1,851,918</u>	<u>\$ (39,573)</u>	<u>\$...</u>	<u>\$ 1,812,345</u>

6. **LONG-TERM DEBT**

The District issued general obligation water bonds to finance its share of the Mill Creek Construction Project. During 1979 and 1980, the District issued \$2,200,000 of general obligation water bonds to the Utah State Board of Water Resources, bearing 5.0% interest. The repayment schedule is as follows:

<u>Due Date</u>	<u>Principal Due</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2006	\$ 93,511	\$ 38,625	\$ 132,136
2007	97,500	33,950	131,450
2008	102,500	29,075	131,575
2009	108,000	23,950	131,950
2010	113,000	18,550	131,550
2011 - 2012	<u>257,761</u>	<u>23,940</u>	<u>281,701</u>
	<u>\$ 772,272</u>	<u>\$ 168,090</u>	<u>\$ 940,362</u>

The District issued \$300,000 of general obligation water bonds on October 27, 1980 to the Utah Division of Water Resources. This series is payable over 35 years with an interest rate of 3.0%. The repayment schedule is as follows:

<u>Due Date</u>	<u>Principal Due</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2006	\$ 11,000	\$ 3,525	\$ 14,525
2007	11,000	3,195	14,195
2008	11,000	2,865	13,865
2009	12,000	2,520	14,520
2010	12,000	2,160	14,160
2011 - 2015	<u>66,000</u>	<u>5,100</u>	<u>71,100</u>
	<u>\$ 123,000</u>	<u>\$ 19,365</u>	<u>\$ 142,365</u>

6. **LONG-TERM DEBT (Continued)**

In 1982, the District issued \$300,000 of general obligation water bonds. The bonds are payable over a thirty-five year period with an interest rate of 3.0%. The repayment schedule is as follows:

<u>Due Date</u>	<u>Principal Due</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2006	\$ 10,000	\$ 4,140	\$ 14,140
2007	10,000	3,840	13,840
2008	10,000	3,540	13,540
2009	11,000	3,240	14,240
2010	11,000	2,910	13,910
2011 - 2015	60,000	9,420	69,420
2016 - 2017	26,000	1,170	27,170
	<u>\$ 138,000</u>	<u>\$ 28,260</u>	<u>\$ 166,260</u>

The long-term debt will mature according to the following schedule:

<u>Due Date</u>	<u>G.O.B. Series 1979</u>	<u>G.O.B. Series 1980</u>	<u>G.O.B. Series 1982</u>	<u>Total</u>
2006	\$ 93,511	\$ 11,000	\$ 10,000	\$ 114,511
2007	97,500	11,000	10,000	118,500
2008	102,500	11,000	10,000	123,500
2009	108,000	12,000	11,000	131,000
2010	113,000	12,000	11,000	136,000
2011 - 2015	257,761	66,000	60,000	383,761
2016 - 2017			26,000	26,000
	<u>\$ 772,272</u>	<u>\$ 123,000</u>	<u>\$ 138,000</u>	<u>\$ 1,033,272</u>

6. **LONG-TERM DEBT (Continued)**

Listed below is the change in long-term debt during the year ended December 31, 2005.

Debt Obligations	DEBT OBLIGATIONS				
	Balance 12-31-04	Debt Retired	New Issues	Balance 12-31-05	Amt due in one year
Bonds Payable	\$ 1,142,500	\$ (109,228)	\$...	\$ 1,033,272	\$ 114,511

7. **PENSION**

Grand County Special Service Water District does not participate in a retirement program.

8. **MILL CREEK PROJECT**

Grand County Special Service Water District was actively involved in the construction and completion of the Mill Creek Dam and related water projects. These projects are designed to provide water to the residents and agriculture customers in Spanish Valley and culinary water to the City of Moab, Utah.

The District participated with two other entities - The State of Utah and Grand County Water Conservancy District. The project is managed by Grand County Water Conservancy District. The State retains title to all water rights related to the project until both local districts have retired the indebtedness.

9. **CONTINGENT OBLIGATIONS**

Management, the Board of Directors and legal counsel for Grand County Special Service Water District are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2005, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

10. **ADMINISTRATIVE CONTROL BOARD**

The Grand County Special Service Water District was created in August 1977 by resolution of the Grand County Commission. The Administrative Control Board consists of five members, three of which are appointed by the Grand County Commission, one of which is appointed by the Moab City Council, and one of which is appointed by the Board of Directors of the Spanish Valley Water and Sewer Improvement District.

11. **BUDGET COMPLIANCE**

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund – discloses budgetary compliance on a functional level as required by generally accepted accounting principles. Utah State law requires that budgetary compliance be measured on a fund level. During the year ended December 31, 2005, the District had no unfavorable variances.

GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
(A COMPONENT UNIT OF GRAND COUNTY)
BOND INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2005

YEAR	BOND SERIES SEPTEMBER 1, 1979		BOND SERIES DECEMBER 1, 1980		BOND SERIES JUNE 18, 1982		TOTAL PRINCIPAL/ INTEREST DEBT SERVICE
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2006	\$ 93,511	\$ 38,625	\$ 11,000	\$ 3,525	\$ 10,000	\$ 4,140	\$ 160,801
2007	97,500	33,950	11,000	3,195	10,000	3,840	159,485
2008	102,500	29,075	11,000	2,865	10,000	3,540	158,980
2009	108,000	23,950	12,000	2,520	11,000	3,240	160,710
2010	113,000	18,550	12,000	2,160	11,000	2,910	159,620
2011	117,000	15,480	12,000	1,800	11,000	2,580	159,860
2012	140,761	8,460	13,000	1,425	12,000	2,250	177,896
2013			13,000	1,035	12,000	1,890	27,925
2014			14,000	630	12,000	1,530	28,160
2015			14,000	210	13,000	1,170	28,380
2016					13,000	780	13,780
2017					13,000	390	13,390
	<u>\$ 772,272</u>	<u>\$ 168,090</u>	<u>\$ 123,000</u>	<u>\$ 19,365</u>	<u>\$ 138,000</u>	<u>\$ 28,260</u>	<u>\$ 1,248,987</u>

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND
ADMINISTRATION COSTS - ALLOCATED FOR ALL DISTRICTS
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GRAND WATER AND SEWER SERVICE AGENCY AUDIT TOTALS <u>DECEMBER 31, 2005</u>	GRAND COUNTY WATER CONSERVANCY DISTRICT - AUDIT AND ALLOCATED TOTALS <u>DECEMBER 31, 2005</u>	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT - AUDIT AND ALLOCATED TOTALS <u>DECEMBER 31, 2005</u>	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT - AUDIT AND ALLOCATED TOTALS <u>DECEMBER 31, 2005</u>
Governmental Revenues:				
Taxes		\$ 86,253	\$ 43,194	\$ 157,837
Interest income		7,147	9,554	11,890
Total governmental revenues	\$...	\$ 93,400	\$ 52,748	\$ 169,727
Operating Revenues: (allocated to Districts)				
Water fees	\$ 426,981	\$ 124,189	\$ 302,792	
Sewer fees	452,078		452,078	
Impact fees	272,380		272,380	
Other fees	26,673	526	26,147	
Irrigation fees	107,831	107,831		
Total operating revenues	\$ 1,285,943	\$ 232,546	\$ 1,053,397	\$...
Total all revenues	\$ 1,285,943	\$ 325,946	\$ 1,106,145	\$ 169,727
Governmental expenditures:				
Highways and public improvements		\$ 30	\$ 24	
Debt service-				
Principal		108,921	254,087	\$ 109,228
Interest and fees		53,787	69,976	51,127
Total governmental expenditures	\$...	\$ 162,738	\$ 324,087	\$ 160,355
Operating Expenses: (allocated to Districts)				
Administrative costs allocation (net of interest income - \$35,444)	\$ 297,061	\$ 36,377	\$ 260,684	
Water commissioner	3,806	3,806		
Sewer treatment	124,214		124,214	
Water assessments and purchases	32,893	32,893		
Repairs and maintenance	292,283	78,165	214,118	
Bad debts	74		74	
Billing expense	7,046	705	6,341	
Rent	8,182	818	7,364	
Total operating expenses	\$ 765,559	\$ 152,764	\$ 612,795	\$...
Total all expenditures/expenses	\$ 765,559	\$ 315,502	\$ 936,882	\$ 160,355

**GRAND COUNTY SPECIAL SERVICE WATER DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
ADMINISTRATION COSTS FOR ALL DISTRICTS
RECORDED IN THE GRAND WATER AND SEWER SERVICE AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2005**

	GRAND WATER AND SEWER SERVICE AGENCY TOTALS <u>DECEMBER 31, 2005</u>	GRAND COUNTY WATER CONSERVANCY DISTRICT TOTALS <u>DECEMBER 31, 2005</u>	SPANISH VALLEY WATER & SEWER IMPROVEMENT DISTRICT TOTALS <u>DECEMBER 31, 2005</u>	GRAND COUNTY SPECIAL SERVICE WATER DISTRICT TOTALS <u>DECEMBER 31, 2005</u>
Excess of all revenues over (under) all expenditures/expenses	\$ 520,384	\$ 10,444	\$ 169,263	\$ 9,372
Non-operating Revenues (Expenses) (Agency amounts allocated to Districts)				
Interest expense	\$ (182)		\$ (182)	
Connection fees	62,889		62,889	
Transfer to Water & Sewer Agency	10,960	\$ (10,960)		\$ (10,960)
Transfer to Water Conservancy District	(75,000)	75,000		
Transfer to Spanish Valley W & S	(319,271)		319,271	
Total non-operating revenues (expenses)	\$ (320,604)	\$ 64,040	\$ 381,978	\$ (10,960)
Net income/(loss)	\$ 199,780	\$ 74,484	\$ 551,241	\$ (1,588)
Allocation of Grand Water & Sewer Service Agency net income (loss) *	\$ 199,780	15,742	184,038	
Net income/(loss) current year	\$...	\$ 90,226	\$ 735,279	\$ (1,588)
* Calculation of allocated Net income/(loss) of Grand Water & Sewer Service Agency				
Total operating revenues		\$ 232,546	\$ 1,053,397	
Total operating expenses		(152,764)	(612,795)	
Net operating income/(loss)		\$ 79,782	\$ 440,602	
Non-operating revenues/(expenses)				
Interest expense			\$ (182)	
Connection Fees			62,889	
Transfer from/(to)		\$ (64,040)	(319,271)	
Total non-operating revenues/(expenses)		\$ (64,040)	\$ (256,564)	
Net income/(loss)		\$ 15,742	\$ 184,038	

Note: This schedule is for analysis of funds available in the Grand Water & Sewer Service Agency that pertain to Grand County Water Conservancy District, Spanish Valley Water & Sewer Improvement District and Grand County Special Service Water District. Financial information does not necessarily reflect the revenues and expenditures/expenses reported in their individual reports.

SMUIN, RICH & MARSING

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Grand County Special Service Water District
Moab, Utah 84532

RE: Report on Compliance and on Other Matters
and on Internal Control Over Financial Reporting
Based on an Audit of Financial Statements
Performed in Accordance with Government
Auditing Standards

We have audited the financial statements of Grand County Special Service Water District, (a component unit of Grand County) as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

May 12, 2006

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MEMBERS

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Grand County Special Service Water District
Moab, Utah 84532

RE: Report on Legal Compliance with
Applicable Utah State Laws
and Regulations

Ladies/Gentlemen:

We have audited the accompanying financial statements of the governmental activities of Grand County Special Service Water District for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. Our audit included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

Truth in Taxation &
Property Tax Limitations
Special Districts
Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

The management of Grand County Special Service Water District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Grand County Special Service Water District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

May 12, 2006